

Roosevelt City Housing Authority

**Basic Financial Statements and Management's
Discussion and Analysis**

March 31, 2005

With Independent Auditors' Report Thereon

Roosevelt City Housing Authority

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**Independent Auditors' Report on
Financial Statements and Supplementary Schedules**

To the Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, UT

We have audited the accompanying financial statements of the business-type activity and major fund of the Roosevelt City Housing Authority (the Authority), as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and major fund of the Authority as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of September 30, 2004.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners
Roosevelt City Housing Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II on pages 19 through 23 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Sullivan & Company

Child, Sullivan & Company
Kaysville, Utah
October 5, 2005

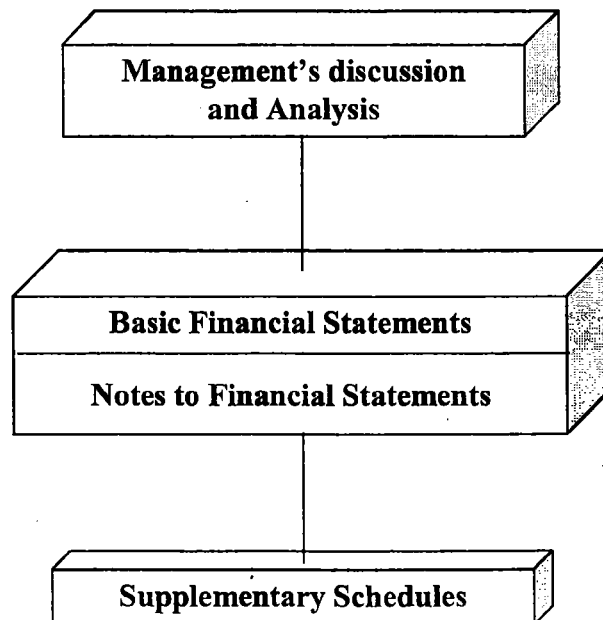
**Roosevelt City Housing Authority
Management's Discussion and Analysis
Year Ended March 31, 2005**

INTRODUCTION

The Roosevelt City Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the Roosevelt area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the city mayor of Roosevelt City. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended March 31, 2005, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2005 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD related to our basic financial statements.



**Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005**

The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2005 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased \$14,214 as of March 31, 2005, from the prior year.
- Operating revenues of the Authority increased by \$13,304, or 4.2%, over prior year results.
- Current liabilities decreased by \$4,957 over the prior year.
- The decrease in cash and cash equivalents for the year was \$4,611.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2005 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets, formerly known as fund equity. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.
- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt or restricted net assets*.

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus is the change in net assets, which is similar to net income or loss.

Finally, a statement of cash flows is included, which discloses net cash provided by or used for operating activities, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents one different program and activity. This program is financed by federal grants from HUD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2005, the following program make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.

Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Roosevelt City Housing Authority
Balance Sheet

	2005	2004	Total Percentage Change
Current assets	\$ 90,588	\$ 87,240	3.8%
Restricted deposits	1,973	2,453	(19.6%)
Fixed assets, net of depreciation	20,793	14,880	39.7%
Total assets	<u>113,354</u>	<u>104,573</u>	8.4%
Current liabilities	1,069	6,026	(82.3%)
Deposits and prepaid liabilities	1,973	2,449	(19.4%)
Total liabilities	<u>3,042</u>	<u>8,475</u>	(64.1%)
Net assets:			
Invested in capital assets	20,793	14,880	39.7%
Unrestricted net assets	89,519	81,218	10.2%
Total net assets	<u>\$ 110,312</u>	<u>\$ 96,098</u>	14.8%

The Authority's total assets at March 31, 2005 were \$113,354, an increase of \$8,781, or 8.4%, from March 31, 2004.

Fixed Assets

Total fixed assets increased by \$5,913, 39.0%, in FY2005. The increase is due to land the City of Roosevelt donated to the Authority in FY2005.

Current Liabilities

Total current liabilities decreased by \$4,957, 82.3%, in FY2005. The decrease is due to the Authority making a payment to HUD for the HAP payments the Authority did not used in the FY2004.

Net Assets

The Authority's net assets increased by \$14,214, 14.8%, during FY2005. At March 31, 2005, investments in capital assets comprise about 18.3% of the Authority's total assets. The amount invested in capital assets, net of related debt, amounts to about 18.8% of total net assets.

Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005

The Authority's net assets also consist of restricted and unrestricted net assets. Restricted net assets include cash restricted for FSS program participants less liabilities that will be paid from these restricted assets. Restricted net assets include \$1,973 in restricted cash less liabilities in the amounts of \$1,973 for FSS escrow. Unrestricted net assets would include cash in the bank, receivables, and other assets less all other liabilities not previously applied. At March 31, 2005, unrestricted net assets amounts to about 81.2% of total net assets.

Revenues, Expenses and Changes in Net Assets

The results of operations for the Authority are presented below:

Roosevelt City Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets

	2005	2004	Increase/(Decrease) Amount	Percentage
Operating revenues:				
HUD PHA operating grants	\$ 314,889	\$ 308,817	\$ 6,072	2.0%
Other operating revenue	19,343	12,110	7,233	59.7%
Total operating revenues	334,232	320,927	13,305	4.2%
Operating expenses:				
Administration	16,716	10,490	6,226	59.3%
Operating and maintenance	42,096	41,426	670	1.6%
Insurance	4,972	3,030	1,942	64.1%
Housing assistance payments	255,375	245,554	9,821	4.0%
General	2,800	2,739	61	2.2%
Total operating expenses	321,959	303,239	18,720	6.2%
Operating gain/(loss)	12,273	17,688	(5,415)	(30.6%)
Nonoperating revenues/(expenses):				
Interest income	1,941	1,235	706	
Nonoperating expenses, net	1,941	1,235	706	(57.2%)
Change in net assets	\$ 14,214	\$ 18,923	\$ (4,709)	(24.9%)

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2005, the Authority's revenues for its activities totaled \$334,232. Of this total, \$314,889, or about 94.2%, is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total \$321,959, of which \$255,375, or about 79.3%, was for housing assistance payments.

**Roosevelt City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended March 31, 2005**

About 0.6% of the Authority's total revenues in FY2005 were nonoperating revenues that are derived from interest income. The remaining 99.4% were operating revenues derived from HUD PHA operating revenues (93.7%) and other operating revenues (5.7%).

The operating expenses are derived from administration (5.2%), operating and maintenance (13.1%), insurance (1.5%), housing assistance payments (79.3%), and general (0.9%).

CAPITAL ASSETS

The Authority's capital assets as of March 31, 2005, included land, buildings, and furniture and equipment that totaled \$21,092, most of which is comprised of land that will have homes for low to moderate income families to rent. Capital assets, net of depreciation, increased \$5,913 from the preceding year.

	2004	2003	Change
Land	\$ 16,293	\$ 10,380	\$ 5,913
Furniture and equipment	299	299	-
Construction in progress	4,500	4,500	-
Total net assets	21,092	15,179	5,913
Accumulated depreciation	(299)	(299)	-
Total	<u>\$ 20,793</u>	<u>\$ 14,880</u>	<u>\$ 5,913</u>

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Roosevelt City Housing Authority, 192 South 100 East, Roosevelt, UT 84066.

**Roosevelt City Housing Authority
Balance Sheet
March 31, 2005**

ASSETS

Current Assets:

Cash-unrestricted (Note 2)	\$ 1,120
Investments-PTIF (Note 2)	80,909
Accounts receivable-HUD	7,867
Accounts receivable	<u>692</u>
Total current assets	90,588

Restricted Deposits:

FSS escrow (Note 2)	1,973
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Fixed Assets:

Land	16,293
Furniture and equipment	299
Construction in progress	<u>4,500</u>
Total fixed assets	21,092
Less: Accumulated depreciation	<u>(299)</u>
Net fixed assets	20,793

Total assets	<u><u>\$ 113,354</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 1,069
Total current liabilities	<u>1,069</u>

Non-current liabilities:

FSS escrow liability	<u>1,973</u>
Total liabilities	3,042

Net Assets:

Invested in capital, net of related debt	20,793
Unrestricted net assets	<u>89,519</u>
Total net assets	110,312

Total liabilities and net assets	<u><u>\$ 113,354</u></u>
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See accompanying notes to basic financials statement.

**Roosevelt City Housing Authority
Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended March 31, 2005**

REVENUES

HUD grants	\$ 314,889
Other revenue	19,343
Total revenues	<u>334,232</u>

EXPENSES

Operating expenses	42,096
Insurance expenses	4,972
Other operating-administrative	16,716
General expenses	2,800
Housing assistance payments	255,375
Total expenses	<u>321,959</u>

Operating income	<u>12,273</u>
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Non-operating income

Interest income	1,941
Total non-operating income	<u>1,941</u>

Net income	14,214
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Net assets at beginning of year	96,098
Net assets at end of year	<u><u>\$ 110,312</u></u>

See accompanying notes to basic financial statements

Roosevelt City Housing Authority
Statement of Cash Flows
Year Ended March 31, 2005

Cash flows from operating activities	
HUD PHA operating grants	\$ 307,022
Other operating revenues	19,251
Interest	1,941
Total receipts	<u>328,214</u>
Operating	42,096
Insurance	4,972
Other operating-administrative	16,716
General	2,800
Housing assistance payments	260,332
FSS escrow	(4)
Total disbursements	<u>326,912</u>
Net cash provided by operating activities	1,302
Cash flows from investing activities	
Purchase of fixed assets	<u>(5,913)</u>
Net cash used in investing activities	(5,913)
Cash flows from financing activities	<u>-</u>
Net decrease in cash and cash equivalents	(4,611)
Cash and cash equivalents at beginning of year	86,640
Cash and cash equivalents at end of year	<u><u>\$ 82,029</u></u>

See accompanying notes to basic financial statements.

Roosevelt City Housing Authority
Statement of Cash Flows (continued)
Year Ended March 31, 2005

Reconciliation of change in net assets to net cash provided by
operating activities:

Change in net assets	14,214
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Adjustments to reconcile change in net assets to net cash
provided by operating activities:

Accounts receivable	(92)
Accounts receivable-HUD	(7,867)
FSS escrow	480
Accounts payable-HUD	(4,957)
FSS escrow	(476)
Net cash provided by operating activities	\$ 1,302

See accompanying notes to basic financial statements.

Roosevelt City Housing Authority
Notes to Financial Statements
Year Ended March 31, 2005

1. Summary of Significant Accounting Policies

Organization and History

The Roosevelt City Housing Authority (the Authority) was established by Roosevelt City and is certified by the U.S. Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs under the Housing Act of 1937, as amended. The Section 8 Vouchers program is subsidized by the Federal Government through HUD.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Roosevelt City (the City), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the City exercises no oversight responsibility either financially or administratively over the Authority.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2005

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*." This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis (new in the current year) – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Balance Sheet – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2005

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At March 31, 2005, cash and cash equivalents consists of cash and investments - PTIF and do not include restricted deposits such as FSS escrow accounts.

Fixed Assets

Fixed assets are carried at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of 5-15 years. Construction in progress commences depreciation when the asset is complete and the asset is placed in service. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and improvements are capitalized as fixed assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

Deposits – Utah State law requires that the Authority's deposits be made with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any financial institution that has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of capital that an institution must maintain to be eligible to accept public funds.

At March 31, 2005, the carrying amount of the Authority's deposits was \$4,149, and the bank balance was \$3,093. Of the bank balance, \$3,093 was covered by federal depository insurance. There were no deposits that were not insured or collateralized.

The Authority's deposits are categorized to give an indication of the level of risk assumed at March 31, 2005. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Authority or its agent in the Authority's name.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2005

2. Deposits and Investments (continued)

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 - Uncollateralized and uninsured

Deposits at March 31, 2005, categorized by level of risk, are as follows:

	Bank	Category			Carrying
	Balance	1	2	3	Amount
Deposits with financial institutions	\$ 4,149	\$ 4,149	\$ -	\$ -	\$ 3,093
Totals	\$ 4,149	\$ 4,149	\$ -	\$ -	\$ 3,093

Restricted deposits of \$1,973 is required to be maintained in an FSS escrow account on behalf of participants in the FSS program. The FSS program is a voluntary program that helps low-income families obtain the education, job training, and life skills necessary to move toward financial self-sufficiency. Funds are held until the participants successfully complete their participation contracts. FSS funds are not available for other operating purposes.

Investments

The Authority's investment policies are governed by state statutes and HUD regulations.

The Authority's investments are categorized to give an indication of the level of risk assumed by the Authority at March 31, 2005. The categories are described as follows:

Category 1 - Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 - Uninsured and unregistered, with securities held by the counter party's trust department or agent in the Authority's name.

Category 3 - Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent, but not in the Authority's name.

At March 31, 2005, the Authority's only investment was the Utah Public Treasurers Investment Fund (PTIF), a cash management account, which is considered a cash equivalent. The fair value and carrying amount of the investment is \$80,909 and is not subject to risk categorization.

3. Economic Dependency

A substantial amount of the revenues received by the Authority during the year ended March 31, 2005, came from U.S. Department of Housing and Urban Development. Programs operated by the Authority depend upon continued funding by the U.S. Government.

Roosevelt City Housing Authority
Notes to Financial Statements (continued)
Year Ended March 31, 2005

4. Summary of Changes in Fixed Assets

A summary of changes in fixed assets for the year ended March 31, 2005 is as follows:

	Balance 03/31/2004	Additions	Retirements	Transfers	Balance 03/31/2005
Land	\$ 10,380	\$ 5,913	\$ -	\$ -	\$ 16,293
Furniture & Equipment	299	-	-	-	299
Construction in Progress	4,500	-	-	-	4,500
Total Fixed Assets	<u>\$ 15,179</u>	<u>\$ 5,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,092</u>

5. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts which the Authority pays in the event of any loss. The Authority also has purchased a workers' compensation policy. Settled claims resulting from losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Roosevelt area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received.

Supplementary Schedules

Roosevelt City Housing Authority
Financial Data Schedule I – Balance Sheet
March 31, 2005

PHA: UT028 FYED: 03/31/2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$1,120	\$1,120
113	Cash - Other Restricted	\$1,973	\$1,973
100	Total Cash	\$3,093	\$3,093
121	Accounts Receivable - PHA Projects	\$7,867	\$7,867
125	Accounts Receivable - Miscellaneous	\$692	\$692
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$8,559	\$8,559
131	Investments - Unrestricted	\$80,909	\$80,909
150	Total Current Assets	\$92,561	\$92,561
161	Land	\$16,293	\$16,293
164	Furniture, Equipment & Machinery - Administration	\$299	\$299
166	Accumulated Depreciation	\$-299	\$-299
167	Construction In Progress	\$4,500	\$4,500
160	Total Fixed Assets, Net of Accumulated Depreciation	\$20,793	\$20,793
180	Total Non-Current Assets	\$20,793	\$20,793
190	Total Assets	\$113,354	\$113,354

Roosevelt City Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
March 31, 2005

PHA: UT028 FYED: 03/31/2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
312	Accounts Payable <= 90 Days	\$1,069	\$1,069
310	Total Current Liabilities	\$1,069	\$1,069
353	Noncurrent Liabilities - Other	\$1,973	\$1,973
350	Total Noncurrent Liabilities	\$1,973	\$1,973
300	Total Liabilities	\$3,042	\$3,042
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$20,793	\$20,793
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0
512.1	Unrestricted Net Assets	\$89,519	\$89,519
513	Total Equity/Net Assets	\$110,312	\$110,312
600	Total Liabilities and Equity/Net Assets	\$113,354	\$113,354

Roosevelt City Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets
Year Ended March 31, 2005

PHA: UT028 FYED: 03/31/2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$314,889	\$314,889
711	Investment Income - Unrestricted	\$1,941	\$1,941
715	Other Revenue	\$19,343	\$19,343
700	Total Revenue	\$336,173	\$336,173

Roosevelt City Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended March 31, 2005

PHA: UT028 FYED: 03/31/2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
911	Administrative Salaries	\$34,651	\$34,651
912	Auditing Fees	\$3,900	\$3,900
915	Employee Benefit Contributions - Administrative	\$3,545	\$3,545
916	Other Operating - Administrative	\$16,716	\$16,716
961	Insurance Premiums	\$4,972	\$4,972
962	Other General Expenses	\$2,800	\$2,800
969	Total Operating Expenses	\$66,584	\$66,584
970	Excess Operating Revenue over Operating Expenses	\$269,589	\$269,589
973	Housing Assistance Payments	\$255,375	\$255,375
900	Total Expenses	\$321,959	\$321,959
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$14,214	\$14,214

Roosevelt City Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses
and Changes in Net Assets (continued)
Year Ended March 31, 2005

PHA: UT028 FYED: 03/31/2005

Line Item No.	Account Description	Housing Choice Vouchers	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$96,098	\$96,098
1113	Maximum Annual Contributions Commitment (Per ACC)	\$287,391	\$287,391
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$194,950	\$194,950
1116	Total Annual Contributions Available	\$482,341	\$482,341
1120	Unit Months Available	1,092	1,092
1121	Number of Unit Months Leased	1,052	1,052

Child, Sullivan & Company

Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

PROFESSIONAL

Cami Carlson
Kristina Chamberlain
Rich Egan, CPA
Keri Griffone
Nathan Johansen
John Larsen
Shelly McNamara
Natalie Murphy

Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, UT

We have audited the financial statements of the business activity and major fund of the Roosevelt City Housing Authority (the Authority) as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 5, 2005. That report noted that the Authority implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* for the year ended March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 05-1.

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Board of Commissioners
Roosevelt City Housing Authority

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of the audit committee, Board of Commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Sullivan & Company

Child, Sullivan & Company
Kaysville, Utah
October 5, 2005

**Roosevelt City Housing Authority
Schedule of Findings and Questioned Costs
Year Ended March 31, 2005**

Finding 05-1

Condition: Inherent with the size of the Authority, there is a lack of segregation of duties.

Criteria: The Authority should exercise segregation of duties as part of its system of internal controls.

Cause: The Authority has one person that performs all accounting functions.

Effect: One person could be in the position to both perpetrate and conceal errors or fraud in the normal course of the Authority's activities.

Recommendation: We recommend that the Authority continue to maintain the quality of records observed during our audit and implement overriding controls that may mitigate the impact of the lack of segregation.

Auditee's Response: See page 29.

**Roosevelt City Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended March 31, 2005**

Finding 04-1

Condition: Inherent with the size of the Authority, there is a lack of segregation of duties.

Criteria: The Authority should exercise segregation of duties as part of its system of internal controls.

Cause: The Authority has one person that performs all accounting functions.

Effect: One person could be in the position to both perpetrate and conceal errors or fraud in the normal course of the Authority's activities.

Recommendation: We recommend that the Authority continue to maintain the quality of records observed during our audit and implement overriding controls that may mitigate the impact of the lack of segregation.

Status: Finding remains in effect in the current year. See finding 05-1 on page 26.

Child, Sullivan & Company

Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS

Roosevelt City Housing Authority Independent Auditors' Report on State Legal Compliance Year Ended March 31, 2005

Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, UT

PROFESSIONAL:
Cami Carlson
Kristina Chamberlain
Rich Egan, CPA
Keri Griffone
Nathan Johansen
John Larsen
Shelly McNamara
Natalie Murphy

We have audited the financial statements of the Roosevelt City Housing Authority (the Authority), for the year ended March 31, 2005, and have issued our report thereon dated October 5, 2005. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority did not receive any major or nonmajor State grants during the year ended March 31, 2005.

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended March 31, 2005.

Child, Sullivan & Company

Child, Sullivan & Company
Kaysville, UT
October 5, 2005

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ROOSEVELT CITY HOUSING AUTHORITY

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Roosevelt, Utah 84066

(435) 722-5858 (800) 722-2095

November 8, 2005

Steph Wilson

Child, Van Wagoner & Associates

1284 West Flint Meadow Drive, Suite D


Kaysville, Utah 84037

Dear Ms. Wilson:

In response to your audit finding regarding a single staff member performing all accounting functions. The Housing Authority contracts with an outside accounting firm to oversee the financial records of the Housing Authority. The Board of Commissioner's review and approve all payments made by the Housing Authority during Commission meetings. Based on the size and limited budget of the Housing Authority, it is not cost effective or feasible for the Housing Authority to employ additional staff to perform accounting functions.

Therefore, the Housing Authority agrees with your findings and recommendations. If you have any questions please feel free to contact me.

Sincerely,



Cindy Warren, Executive Director

October 5, 2005

To the Board of Commissioners
and the Executive Director
Roosevelt City Housing Authority
192 South 100 East
Roosevelt, Utah 84066

As auditors, we feel it is beneficial to our clients to offer suggestions for improvement with regards to their financial recording systems and internal controls. This letter to the management is a summary of suggestions we noted for the audit of Roosevelt City Housing Authority (the Authority) for the year ended March 31, 2005.

1. We noted that the Authority is growing and has started incorporating new programs. We recommend that the Authority separate their business activities from those of other programs and create a separate general ledger. The business activities general ledger should include the office assets, the land and buildings related to low income housing that are not part of the Housing Choice Vouchers program, and note payable used to construct buildings. The general ledger should include all costs related to business activities; including but not exclusive to: office expenses, management fees earned, rent received from low income housing, and payments of principal and interest on the note payable. Also, a fee or rent should be charged to each of the programs of the Authority to pay for the costs related to the Authority's business activities.

Our firm is independent of the Authority and this independence has been communicated to management.

Thank you for allowing us to serve you and make these suggestions. We look forward to our continuing professional relationship and to assisting you with the above recommendation. If you have any questions or concerns please call me.

Very truly yours



Scott L. Farnes, Principal
Child, Sullivan & Company

October 5, 2005

To the Board of Commissioners
Roosevelt City Housing Authority
Roosevelt, Utah

We have audited the financial statements of Roosevelt City Housing Authority (Authority) as of and for the year ended March 31, 2005, and have issued our report thereon dated October 5, 2005. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

OUR RESPONSIBILITY UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND *GOVERNMENT AUDITING STANDARDS*

As stated in our engagement letter dated November 17, 2004, our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used by the Authority are described in the notes to the financial statements. No new accounting policies were adopted during the year ended March 31, 2005. We noted no transactions entered into by the Authority during the year

that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We evaluated the key factors and assumptions used to ascertain that they are reasonable in relation to the financial statements of the Authority taken as a whole.

SIGNIFICANT AUDIT ADJUSTMENTS

In connection with our audit of the financial statements, we have not discussed with management any significant financial statement misstatements that have not been corrected for in the Authority's books and records as of and for the year ended March 31, 2005. There are no audit adjustments that have not been booked at the request of management.

DISAGREEMENTS WITH MANAGEMENT

There were no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our report on the Authority's financial statements as of and for the year ended March 31, 2005.

CONSULTATION WITH OTHER ACCOUNTANTS

To the best of our knowledge management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of Statement of Auditing Standards No. 50, *Reports on the Application of Accounting Principles*.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

We generally discuss a variety of matters, including the application of accounting principles, and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Our firm is independent of the Authority and this independence has been communicated to management.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no difficulties in dealing with management in performing our audit.

This report is intended solely for the information and use of the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Child, Sullivan & Company

Child, Sullivan and Company